



# NEWS RELEASE

CALIFORNIA SECRETARY OF STATE **KEVIN SHELLEY**

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## **Secretary of State Kevin Shelley, Assembly Member Judy Chu, Urge SEC to Adopt Proposed Rules for Corporate Governance**

SACRAMENTO, CA –In a joint letter to US Securities and Exchange Commission Chairman William H. Donaldson, Secretary of State Kevin Shelley and Assembly Member Judy Chu (Pasadena) urged the adoption of crucial rule changes to corporate governance. The proposed rules would make it easier for shareholders to nominate a slate of candidates for the board of directors of a corporation.

“Shareholders are the conscience of many corporations,” said Secretary of State Kevin Shelley. “I call on the federal Securities and Exchange Commission to implement reforms that would empower shareholders to help select members of a corporation’s board of directors and protect the interests of small and medium-sized investors.”

“In the era of Enron and WorldCom scandals, corporate reform has hit roadblocks at every intersection,” said Shelley. “The SEC needs to take action and restore the confidence of investors and the public by requiring corporate accountability on all levels.”

Current law states that shareholders in a corporation doing business in California do not have the right to place in nomination their own slate of board of directors for consideration during each board election. If shareholders want to consider their own slate of directors, they must resort to an expensive proxy contest. In addition, corporate boards are allowed to have veto power over candidates whom they believe to be inexperienced or lacking in knowledge needed to govern the corporation.

The Securities and Exchange Commission has a series of proposed corporate reforms, Exchange Act Rules 14a-11 for Security Holder Director Nominations. The reforms would, under certain circumstances, require companies to include for consideration security holder nominees for election to the board of directors. The rules are designed to allow shareholders to participate more meaningfully in corporate governance and increase the level of disclosure at the highest levels of corporate governance.

Earlier this month, the legislature passed Assembly Joint Resolution 79 (Chu,) sponsored by Secretary of State Shelley. The letter to Chairman Donaldson includes some text from AJR 79, that “hereby urges the United States Securities and Exchange Commission to implement the proposed shareholder participation rules at the earliest possible date in order to answer the call for badly needed reform, to improve corporate accountability, to restore investor confidence, and to provide shareholders with increased access to proxy to promote greater board oversight of corporate operations and responsiveness to shareholder concerns.”